

Callaway County Ambulance District

Fulton, Missouri

Independent Auditors' Report
For The Year Ended December 31, 2009

Table of Contents

Independent Auditors' Report	1
Management Discussion and Analysis	2-7
 Financial Statements:	
Statement of Net Assets	8
Statement of Revenue, Expenses and Changes in Net Assets.....	9
Statement of Cash Flows	10
Notes to the financial statements	11-20
 Required Supplementary Information:	
Statement of Revenue, Expenses and Changes in Net Assets – Budget and Actual	21
Schedule of Funding Progress	22

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Independent Auditor's Report

To the Board of Directors of
Callaway County Ambulance District
Fulton, Missouri

We have audited the accompanying financial statements of the Callaway County Ambulance District as of December 31, 2009, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Callaway County Ambulance District as of December 31, 2009, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis, budgetary comparison information and schedule of funding progress are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Fountain & Associates, LLP
Kansas City, Missouri
July 14, 2010

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Callaway County

Ambulance District

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Management's Discussion and Analysis December 31, 2009

This section presents management's analysis of the Callaway County Ambulance District's (the District's) financial condition and activities as of and for the year ended December 31, 2009. Management's Discussion and Analysis (MDA) is intended to serve as an introduction to the District's basic financial statements.

This information should be read in conjunction with the audited financial statements that follow this section.

The information in this MDA is presented under the following headings:

- Organization and Business
- Overview of the Financial Statements
- Financial Analysis
- Capital Assets
- Requests for Information

ORGANIZATION AND BUSINESS

The District provides pre-hospital emergency medical services. The district provides advanced life support to 100% of Callaway County, Missouri. The District serves approximately 42,000 permanent residents of the County along with a large transient population. Services are provided regardless of race color, creed, national origin, sexual preference or financial status. Services outside of the District are provided in accordance with mutual aid agreements.

The District is organized pursuant to RSMo Chapter 190. The District is divided into six (6) election districts with one (1) board member elected from each election district. Each board member is elected to a three (3) year term pursuant to RSMo Chapter 190. The Board of Directors is responsible for District operations, finances, and policy. The Board of Directors employs a Director, who is responsible for the daily operation of the District. The Director reports directly to the Board of Directors.

The District has a property tax levy ceiling of \$0.12 per one-hundred dollars of assessed valuation of all real and personal property within the county. In 2007, the tax rate computed pursuant to Article X, Section 22 of the Missouri Constitution and Section 137.073, RSMo is \$0.1172. In addition, the District collects a ½ cent sales tax. Merchants began collecting this tax on October 1, 2005, with distribution to the District beginning in November 2005. In 2008, this sales tax reduced the Districts property tax rate by \$0.1172, so the property tax levied in 2008 and 2009 was \$0.00. The District also charges user fees to those persons using the District's services. The money collected from these fees is deposited into the District's General Revenue Fun.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The District's basic financial statements are comprised of two components:

- 1) Fund Financial Statements
- 2) Notes to Basic Financial Statements

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other special purpose governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements.

Proprietary Funds. The District's proprietary fund consists of one enterprise fund, the Ambulance service. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The District's proprietary fund statements include;

The *statement of net assets* presents information on the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

While the statement of net assets provides information about the nature and amount of resources and obligations at year-end using the accrual basis of accounting, the *statement of revenues*, expenses, and changes in net assets presents the results of the District's operations over the course of the fiscal year and information as to how the *net assets* changed during the year. This statement can be used as an indicator of the extent to which the District has successfully recovered its costs through user fees, property taxes and other charges. All changes in net assets are reported during the period in which the underlying event giving rise to the change occurs using the accrual basis of accounting. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as delayed collection of operating revenues and the expense of employee earned but unused vacation leave.

The *statement of cash flows* presents changes in cash and cash equivalents resulting from operation, capital, non-capital, and investing activities. This statement summarizes the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipts and excludes non-cash accounting measures of depreciation or amortization of assets.

Notes to Basic Financial Statements. The notes provide additional information that is essential to full understanding of the data provided in the basic financial statements. The notes to basic financial statements can be found on pages 11 to 21 of this report.

FINANCIAL ANALYSIS

Financial Highlights

- Total assets of the District exceeded the total liabilities by \$3,939,982 (net assets)
- Net assets increased by \$376,868
- Capital assets decreased by \$12,929
- Operating expenses increased by \$229,251

Financial Position

The District's net assets increased by \$376,868 during the year (see Table 1 below). The largest portion of the District's net assets (63%) or \$2,456,340 represents its unrestricted net assets. Current assets were used to fund fixed asset purchases during the year.

Table 1
Net Assets
December 31, 2009 and 2008

	2009	2008
Current and other assets	\$ 2,642,471.70	\$2,277,114.43
Capital Assets	1,483,641.60	1,496,574.15
Total assets	<u>4,126,113.30</u>	<u>3,773,688.58</u>
Current and other liabilities	86,272.40	111,354.43
long term liabilities	99,858.63	99,219.69
Total liabilities	<u>186,131.03</u>	<u>210,574.12</u>
Net assets:		
invested in capital assets, net of related debt	1,483,641.60	1,496,574.15
Unrestricted	2,456,340.67	2,066,540.31
	<u>\$ 3,939,982.27</u>	<u>\$3,563,114.46</u>

Results of Operations

The following table (Table 2) shows changes in the District's net assets for the year.

Table 2
Changes in Net Assets
December 31, 2009 and 2008

Revenues:	2009	2008
Ambulance Services Revenues	\$ 1,290,964.56	\$ 1,290,019.28
Property taxes	529.35	3,217.93
Sales Tax	1,581,454.79	1,688,281.09
Grant Funds	43,782.00	-
Other Revenues	6,007.62	28,281.87
Total operating Revenues	<u>2,922,738.32</u>	<u>3,009,800.17</u>
Expenses:		
Ambulance Operations	2,393,928.58	2,657,410.79
Depreciation	186,371.51	152,139.95
Total operating expenses	<u>2,580,300.09</u>	<u>2,809,550.74</u>
Net operating Income (Loss)	342,438.23	200,249.43
Non operating income (loss)	<u>34,429.62</u>	<u>73,491.84</u>
Changes in net assets	376,867.85	273,741.27
Total net assets - beginning	<u>3,563,114.46</u>	<u>3,289,373.19</u>
Total net assets - ending	<u><u>\$ 3,939,982.31</u></u>	<u><u>\$ 3,563,114.46</u></u>

The District's total operating revenues decreased by \$87,062 and total operating expenses decreased by \$229,251. The District's net assets for the year increased by \$376,868.

CAPITAL ASSETS

The District had \$1,483,645 (net of accumulated depreciation) invested in a broad range of capital assets as of December 31, 2009. The investment in capital assets includes land, buildings, ambulance equipment and office equipment. The District's net revenues are used to finance capital investments. More detailed information about the District's capital assets is presented in Note 9 to the basic financial statements.

Table 3
Capital Assets, Net of Depreciation
December 31, 2009 and 2008

	2009	2008
Building	\$ 959,139	\$ 741,253
Construction in Progress	-	210,869
Equipment	459,558	501,490
Office Furniture	49,948	27,962
Land	15,000	15,000
Totals	<u>\$ 1,483,645</u>	<u>\$ 1,496,574</u>

LONG-TERM DEBT

Long term debt of \$99,858.63 at December 31, 2009 consisted of amounts accrued for compensated absences owed to district employees.

BUDGET

The District adopts an annual operating budget for its enterprise fund that is prepared according to Missouri State Statutes. The fiscal year represented is from January 1, 2009 through December 31, 2009.

During the course of fiscal year 2009, the District amended its operating budget. All recommendations for a budget change are presented by the Director to the Board of Directors. The enterprise fund is monitored closely, looking for possible revenue shortfalls or over spending by individual departments.

Original budget revenues for the enterprise fund were \$2,501,344; the final budget amount was \$2,832,900 and the actual revenue was \$2,922,738.

Budgeted revenues were adjusted to reflect an increase in patient care revenue due to a higher than expected call volume, a decrease in sales tax revenue due to a lower than anticipated collections throughout the year, and a decrease in investment income due to lower interest rates being paid on the District's certificates of deposit. Actual revenues were \$90,648 more than the final budget revenues.

Original budgeted expenditures for current operations of \$2,501,344 were adjusted to a total of \$2,859,560. Actual expenditures of \$2,580,300 were under budget by \$279,260 or 9.7%.

Budgeted expenses were adjusted in several line items. The most significant adjustments were made for insurance to reflect a reduction in anticipated workers' compensation premiums and an increase in ambulance fuel costs. Actual expenses were \$251,790 more than the final budget revenues.

REQUEST FOR INFORMATION

The financial report is designed to provide taxpayers and creditors with a general overview of the District's finances and demonstrate the District's ability for the monies it receives. If you have any questions about this report or need additional information, please contact the Director, Charles Anderson, Callaway County Ambulance District, 311 Hickman Avenue, PO Box 246, Fulton, MO 65251, or 573-642-7260 extension 23.

CALLAWAY COUNTY AMBULANCE DISTRICT

Fulton, Missouri

STATEMENT OF NET ASSETS

December 31, 2009

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 786,164.02
Certificate of Deposit	1,289,088.00
Accounts Receivable - Patient	424,890.29
Allowance for Doubtful Accounts	(169,956.11)
Allowance for Non Allowed Charges	(31,125.78)
Property Taxes Receivable	1,644.10
Allowance for Uncollectible Tax	(1,644.10)
Sales Tax Receivable	236,317.01
Interest Receivable	1,046.08
Inventory	56,766.68
Prepaid Insurance	49,281.51
Total Current Assets	<u>2,642,471.70</u>

FIXED ASSETS

Equipment	1,069,439.04
Office Furniture	115,802.15
Buildings	1,222,912.86
Land	15,000.00
Equipment Building - Auxvasse	6,654.25
Less: Accumulated Depreciation	<u>(946,166.70)</u>
Net Fixed Assets	<u>1,483,641.60</u>

TOTAL ASSETS \$ 4,126,113.30

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 67,432.40
Accrued Payroll	18,840.00
Total Current Liabilities	<u>86,272.40</u>

LONG TERM LIABILITIES

Accrued Compensated Absences	99,858.63
Total Liabilities	<u>186,131.03</u>

NET ASSETS

Invested in Capital Assets	1,483,641.60
Unrestricted	2,456,340.67
TOTAL NET ASSETS	<u>\$ 3,939,982.27</u>

See accompanying notes to the financial statements.

CALLAWAY COUNTY AMBULANCE DISTRICT
 Fulton, Missouri
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
 For the Year Ended December 31, 2009

OPERATING REVENUES

Patient Care Revenue	\$ 1,900,375.51
Less: Non-allowed charges	(609,410.95)
Property Tax Revenue	529.35
Sales Tax Revenue	1,581,454.79
Fireman's Grant Reveue	43,782.00
Miscellaneous Income	6,007.62
Total Operating Revenues	<u>2,922,738.32</u>

Operating Expenses

Salaries	1,272,450.83
Payroll Taxes	104,523.22
Fringe Benefits	323,841.32
Administrative Supplies	36,095.53
Travel	5,846.24
Education and training supplies	15,032.49
Grounds/Buildings	23,878.32
Insurance	84,460.84
Utilities	19,125.28
Telephone	10,373.35
Purchased Services	104,826.51
Communications	9,436.94
Uniforms	8,589.24
Medical Supplies	78,381.39
Vehicle Fuel	42,618.71
Vehicle Maintenance	24,444.64
Depreciation Expense	186,370.51
Payment to TIF	29,383.76
Bad Debt Expense	200,620.97
Total Operating Expenses	<u>2,580,300.09</u>

Operating Income (Loss) 342,438.23

NONOPERATING REVENUES (EXPENSES)

Investment Income	34,188.62
Net Gain (Loss) Disposal of Assets	241.00
Total Nonoperating Revenue (Expenses)	<u>34,429.62</u>

Change in Net Assets 376,867.85

Net Assets, Beginning of Year 3,563,114.46
Net Assets, End of Year \$ 3,939,982.31

See accompanying notes to the financial statements.

CALLAWAY COUNTY AMBULANCE DISTRICT

Fulton, Missouri

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2009

Cash Flows from Operations:

Net Income		\$ 342,438.23
Depreciation	186,370.51	
Decrease (Increase) in accounts receivable	14,616.90	
Decrease (Increase) in sales taxes receivable	(5,973.00)	
Decrease (Increase) in Interest receivable	1,032.08	
Decrease (Increase) in Inventory	(4,539.37)	
Decrease (Increase) in Prepaid Insurance	(1,923.02)	
Increase (decrease) in accounts payable	17,517.07	
Increase (decrease) in Accrued Payroll	(41,960.16)	<u>165,141.01</u>
Net cash flow from operating activities		<u>507,579.24</u>

Cash flows from Capital and Related Financing Activities:

Gain on Disposal of Fixed Asset	241.00	
Acquisition of Fixed assets	(173,258.42)	
Net cash flows from investing activities		<u>(173,017.42)</u>

Cash flows provided by or used in Investing Activities:

Interest Income	<u>34,188.62</u>	
Net cash flows from financing activities		<u>34,188.62</u>

Net increase (decrease) in cash and cash equivalents		368,750.44
Cash and cash equivalents, December 31, 2008		<u>1,706,501.58</u>
Cash and cash equivalents, December 31, 2009		<u>\$ 2,075,252.02</u>

See accompanying notes to the financial statements.

CALLAWAY COUNTY AMBULANCE DISTRICT

Fulton, Missouri

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2009

NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General Statement

Callaway County Ambulance District is a political subdivision of the State of Missouri. The basic operations of the District are financed by revenues for services provided and a ½ cent sales tax.

The accounting and reporting policies of the District relating to the fund included in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accounts in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the District has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the District are described below.

The accompanying financial statements include all transactions of the District for which the District is financially accountable. Financial accountability is defined as appointment of a majority of a component unit's board and either the ability to impose the will of the District or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the District. Based on these criteria, the District has determined that there are no component units which come under the criteria for inclusion. The District is not a component unit of any other government entity.

Reporting Entity

The District's financial statements include the accounts of all District operations. The following criteria regarding manifestation of oversight were considered by the District in its evaluation of District organizations and activities:

Election of government authority – The locally elected Board of Directors is exclusively responsible for all public decisions and accountable for the decisions it makes.

CALLAWAY COUNTY AMBULANCE DISTRICT

Fulton, Missouri

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2009

NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: **(Cont'd.)**

Reporting Entity (Cont'd.)

Designation of management – The Board of Directors appoints the Director. The Director hires other members of District management. The activities under the purview of management are within the scope of the reporting entity and management is accountable to the Board of Directors for the activities being managed.

Ability to significantly influence operations – The Board of Directors has the statutory authority under the provisions of the Revised Statutes to significantly influence operations. This authority includes, but is not limited to, adoption of the budget, control over all assets, including facilities and properties, short-term borrowing, signing contracts and developing the programs to be provided.

Accountability of fiscal matters – The responsibility and accountability over all funds is vested in the District management.

Basis of Presentation

The accounts of the District are organized on a fund basis which is considered to be a separate accounting entity. The transactions of the fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses. Funds for governmental entities are ordered into three major categories: governmental, proprietary and fiduciary. The fund used by the District is shown below:

Proprietary Fund

Proprietary Funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a Proprietary Fund's activities are included on its balance sheet. The following is the District's Proprietary Fund type:

Enterprise Fund

The Enterprise Fund is used for activities which are financed and operated in a manner similar to provide business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The fund included is the Ambulance Fund.

CALLAWAY COUNTY AMBULANCE DISTRICT

Fulton, Missouri

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2009

NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: **(Cont'd.)**

Basis of Accounting: The accrual basis of accounting is followed. Under this basis of accounting, revenue is recognized when earned and expenses are recognized when incurred.

Capital Assets: Property, ambulance and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset (ranging from 5 to 39 years). The District has established a \$1,000.00 capitalize threshold.

Property Taxes: The District recognizes assets from imposed non-exchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are required to be used or for the first period that use is permitted. For example, for property taxes it is the period for which they are levied. Resources received or recognized as receivable before the time requirements are met are reported as deferred revenues. The District's budget is based on the previous year's assessed valuation and tax levies. Recording deferred tax revenue allows recognition of the revenue in the period for which it was budgeted. For 2009 the District tax levy was set at \$-0- because of a ½ cent sales tax approved by voters.

Accounts Receivable: The District has adopted the policy of estimating and expensing doubtful accounts and contractual adjustments in the current period.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventory: Inventory consists of medical supplies. Inventory costs are stated at market.

Net Assets: Net assets comprise the various net earnings from operating income, non-operating revenues and expenses, capital contributions, and special items. Net assets are classified in the following three components:

Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the

CALLAWAY COUNTY AMBULANCE DISTRICT
Fulton, Missouri

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended December 31, 2009

NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
(Cont'd.)

Net Assets (Cont'd)

portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions of enabling legislation.

Unrestricted Net Assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the District’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Disclosure of Accounting Policy:

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Subsequent Events:

The District evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through July 14, 2010.

CALLAWAY COUNTY AMBULANCE DISTRICT
Fulton, Missouri

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended December 31, 2009

NOTE 2 – ASSESSED VALUATION, TAX LEVY AND TAXES RECEIVABLE:

Property taxes are levied by Callaway County each March 1, based on property values assessed as of the previous January 1. Property taxes are considered past due on January 1 following the levy date at which time the applicable property is subject to lien and penalties and interest are assessed. Callaway County bills and collects property taxes on behalf of the District.

The assessed valuation of the tangible taxable property for the calendar year 2009:

Real estate	\$548,551,447
Personal Property	<u>159,644,322</u>
	708,195,769
Less TIF	<u>(19,368,390)</u>
TOTAL.....	<u>\$688,827,379</u>

The tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2009 was \$.12.

The receipts of taxes during the year ended December 31, 2009 is as follows:

Assessed valuation	\$688,827,379
Levy per \$100 of assessed valuation	<u>0</u>
Current taxes assessed	<u><u>\$ 0</u></u>

CALLAWAY COUNTY AMBULANCE DISTRICT
Fulton, Missouri

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended December 31, 2009

NOTE 3 – DEPOSITS AND INVESTMENTS:

State law and the District's practice is to limit deposits and investments to insured and/or collateralized demand deposit accounts, certificates of deposit, U.S. Treasury bills, or obligations of other U.S. Agencies for which the principal and interest is guaranteed by U.S. Government. The District does not enter into reverse repurchase agreements.

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 250,000.00
Collateral held by the pledging bank in the District's name	<u>1,826,289.15</u>
Total Deposits	<u>\$ 2,076,289.15</u>

The District does not have a deposit policy for custodial credit risk, but follows State Statute which requires all deposits in financial institutions to be fully collateralized. As of December 31, 2009, the District's bank balance of \$2,076,289.15 was fully collateralized and/or insured.

CALLAWAY COUNTY AMBULANCE DISTRICT
Fulton, Missouri

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended December 31, 2009

NOTE 4 – CONTINGENCIES:

In the normal course of business, there could be various outstanding contingent liabilities such as, but not limited to, the following:

- Violation of regulatory body's rules and regulations
- Violation of federal and/or state laws

No accrual for potential contingent liabilities, such as, but not limited to, those described above are reflected in the accompanying financial statements.

NOTE 5 – RETIREMENT PLAN:

A. Plan Description

The Callaway County Ambulance District participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri.

LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMo. 70.600 – 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

B. Funding Status

Callaway County Ambulance District's full-time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 12.7% (general) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

CALLAWAY COUNTY AMBULANCE DISTRICT
Fulton, Missouri

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended December 31, 2009

NOTE 5 – RETIREMENT PLAN: (Cont’d)

C. Annual Pension Cost

For 2009, the political subdivision’s annual pension cost of \$139,195 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2007 and/or February 28, 2008 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2009 included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, and (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table, set back -0- years for men and -0- years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality Table projected to 2000, set back one year for men and seven years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed bases. The amortized period at February 28, 2009 was 16 years.

Three-Year Trend Information

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u>	<u>Percentage</u> <u>Pension</u> <u>Contributed</u>	<u>Net</u> <u>Obligation</u>
06/30/07	113,891	100%	-0-	
06/30/08	126,608	100%	-0-	
06/30/09	139,195	100%	-0-	

CALLAWAY COUNTY AMBULANCE DISTRICT
Fulton, Missouri

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended December 31, 2009

NOTE 6 – RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for all risks of loss. Settled claims have not exceeded this commercial insurance coverage in any of the past three years.

The District is also insured by Missouri Rural Services Workers' Compensation Insurance Trust for potential worker related accidents. This insurance pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its member's additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

NOTE 7 – UNION CONTRACT:

The District has entered into an agreement with the International Association of Firefighters Local 3739. The initial agreement covered the period January 1, 2001 to January 1, 2002 and the contract renew automatically if neither party takes action to renegotiate the agreement. The agreement was amended January 1, 2005. The amended agreement states that it shall remain in effect for one year commencing January 1, 2005 and continuing until December 31, 2005, provided that if the contract has not been extended by written agreement prior to the latter date, the agreement shall continue in full force and effect under the same terms and conditions. The contract was amended and became effective January 1, 2009.

NOTE 8 – EMERGENCY OPERATIONS CONTRACT:

The District contracts with Callaway County Emergency Operations Center and Callaway County for dispatch services in the amount of \$50,000. The contract is renegotiated and renewed annually.

CALLAWAY COUNTY AMBULANCE DISTRICT
Fulton, Missouri

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended December 31, 2009

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment and accumulated depreciation by major class are as follows at December 31, 2009:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	15,000.00	-	-	15,000.00
Construction in Progress	210,868.66		210,868.66	-
Total capital assets, not being depreciated	<u>225,868.66</u>	<u>-</u>	<u>210,868.66</u>	<u>15,000.00</u>
Capital assets, being depreciated:				
Equipment	1,066,093.08	95,225.28	91,879.32	1,069,439.04
Office Furniture	76,281.98	40,880.42	1,360.25	115,802.15
Building	981,328.41	248,238.70		1,229,567.11
Total capital assets, being depreciated	<u>2,123,703.47</u>	<u>384,344.40</u>	<u>93,239.57</u>	<u>2,414,808.30</u>
Less accumulated depreciation for:				
Equipment	564,603.01	137,158.55	91,879.32	609,882.24
Office Furniture	48,319.79	18,857.91	1,322.47	65,855.23
Building	240,075.18	30,354.05		270,429.23
Total accumulated depreciation	<u>852,997.98</u>	<u>186,370.51</u>	<u>93,201.79</u>	<u>946,166.70</u>
Total capital assets, being depreciated, net	<u>1,270,705.49</u>	<u>197,973.89</u>	<u>37.78</u>	<u>1,468,641.60</u>
Business-type activities	<u>1,496,574.15</u>	<u>197,973.89</u>	<u>210,906.44</u>	<u>1,483,641.60</u>

Total depreciation expense for 2009 was \$186,370.51.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CALLAWAY COUNTY AMBULANCE DISTRICT
 Fulton, Missouri
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS – BUDGET TO ACTUAL
 For The Year Ended December 31, 2009

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Patient Care Revenue	1,802,090.00	1,900,375.51	98,285.51
Less: Non-allowed charges	(600,000.00)	(609,410.95)	(9,410.95)
Property Tax Revenue	-	529.35	529.35
Sales Tax Revenue	1,600,000.00	1,581,454.79	(18,545.21)
Fireman's Grant Reveue	-	43,782.00	43,782.00
Miscellaneous Income	30,000.00	6,007.62	(23,992.38)
Total Operating Revenues	<u>2,832,090.00</u>	<u>2,922,738.32</u>	90,648.32
Operating Expenses			
Salaries	1,250,000.00	1,272,450.83	(22,450.83)
Payroll Taxes	115,799.00	104,523.22	11,275.78
Fringe Benefits	340,587.00	323,841.32	16,745.68
Administrative Supplies	37,000.00	36,095.53	904.47
Travel	10,000.00	5,846.24	4,153.76
Education	15,000.00	14,065.49	934.51
Grounds/Buildings	32,000.00	23,878.32	8,121.68
Insurance	89,062.00	84,460.84	4,601.16
Utilities	21,000.00	19,125.28	1,874.72
Telephone	11,000.00	10,373.35	626.65
Purchased Services	104,548.00	104,826.51	(278.51)
Communications	15,000.00	9,436.94	5,563.06
Uniforms	16,000.00	8,589.24	7,410.76
Medical Supplies	80,000.00	78,381.39	1,618.61
Vehicle Fuel	45,000.00	42,618.71	2,381.29
Vehicle Maintenance	30,000.00	24,444.64	5,555.36
Training Supplies	5,000.00	967.00	4,033.00
Depreciation Expense	168,000.00	186,370.51	(18,370.51)
Payment to TIF	48,000.00	29,383.76	18,616.24
Bad Debt Expense	426,564.00	200,620.97	225,943.03
Total Operating Expenses	<u>2,859,560.00</u>	<u>2,580,300.09</u>	279,259.91
Operating Income (Loss)	(27,470.00)	342,438.23	(188,611.59)
NONOPERATING REVENUES (EXPENSES)			
Investment Income	30,000.00	34,188.62	4,188.62
Net Gain (Loss) Disposal of Assets	-	241.00	241.00
Total Nonoperating Revenue (Expenses)	<u>30,000.00</u>	<u>34,429.62</u>	4,429.62
Net Income	<u>2,530.00</u>	376,867.85	(184,181.97)
Net Assets, Beginning of Year		<u>3,563,114.46</u>	
Net Assets, End of Year		<u>3,939,982.31</u>	

CALLAWAY COUNTY AMBULANCE DISTRICT
Fulton, Missouri

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended December 31, 2009

Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	[(b-2)/c]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded Liability (UAL)	Funded Ratio	Annual Covered Payroll	UAL as a Percentage of Covered Payroll
2/28/2007	1,230,378	1,658,279	427,901	74%	983,388	44
2/28/2008	1,389,787	1,906,546	516,759	73%	1,054,376	49
2/28/2009	1,271,219	2,029,298	758,079	63%	1,009,031	75
2/28/2009 *	1,271,219	2,108,137	836,918	60%	1,009,031	83

* After Benefit Changes

Note: The above assets and actuarial accrued liability do not include assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fun. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

FOUNTAIN & ASSOCIATES

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1150 GRAND BOULEVARD, SUITE 150
KANSAS CITY, MISSOURI 64106

To the Board of Directors and Management of
Callaway County Ambulance District
Fulton, MO

In planning and performing our audit of the financial statements of Callaway County Ambulance District as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Callaway County Ambulance District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Callaway County Ambulance District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Callaway County Ambulance District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in Callaway County Ambulance District's internal control to be material weakness:

PRIOR YEAR RECOMMENDATIONS RESUBMITTED:

Organizational Structure

The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the Organization to provide oversight and independent review functions.

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Internal Control Structure

We are required to give consideration to the District's ability to prepare financial statements and related note disclosures, as well as the oversight of the financial reporting process by those charged with governance. The District does not have in place controls that would assure the preparation of internal financial statements and related note disclosures in accordance with generally accepted accounting principles. The District engages independent auditors to draft the financial statements, which includes drafting the primary financial statements and ensuring the disclosures are complete. Once drafted, the financial statements are submitted to the District for review and approval. While this practice is common and practical, we must inform those charged with governance that this must be considered a material weakness in internal control since the financial statement preparation cannot be performed in-house.

This communication is intended solely for information and use of management, Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Fountain & Associates, LLP
Kansas City, MO

July 14, 2010

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KANSAS CITY, MISSOURI 64106

July 14, 2010

To the Board of Directors
Callaway County Ambulance District

We have audited the financial statements of Callaway County Ambulance District for the year ended December 31, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 14, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Callaway County Ambulance District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful life of fixed assets, non-allowed charges, and the allowance for uncollectible accounts are based on an analysis of the useful lives of previously owned assets, and past experience with non-allowed charges and patient accounts. We reevaluated the key factors and assumptions used to develop the current depreciation expense, accumulated depreciation, non-allowed charges and the allowance for uncollectible accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management; adjusting accounts receivable and the related allowance, inventory, and accounts payable.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation dated July 14, 2010.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Callaway County Ambulance District and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Fountain & Associates, LLP
Kansas City, Missouri